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Argentina

Sugar Annual

2010

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Report Highlights:

Argentine sugar exports for 2010/11 are projected at 340,000 tons (raw basis). This is a major drop from the current year's almost record level of 760,000 tons. The main reasons are low stocks and the processing of part of the sugarcane into ethanol to comply with the newly implemented biofuels mandate law. Due to tight supplies, the 2010/11 harvest season is expected to begin several weeks earlier. Sugar domestic consumption is projected to increase marginally.

Commodities:

Sugar, Centrifugal

Production:

Argentine sugar production for 2010/11 is projected at 2.26 million tons (raw basis), practically the same as the previous crop season. Total sugar cane output is forecast to grow moderately, but the initiation of the government's ethanol program in early 2010 will likely divert a growing volume of sugarcane into ethanol production.

Expected good returns because of high world sugar prices and implementation of the profitable ethanol program have encouraged producers, and especially mills, to plant more sugar cane for the 2010/11 crop. However, the general condition of the crop is not optimum because of the strong drought suffered during 2009. Currently, cane plantations in Salta and Jujuy are in good condition, but in Tucuman they lack uniformity, with some in very good condition, and others not. The harvest season (May-October) in 2009 developed under a very dry environment, plus it was affected by strong frosts in June-July. During the spring there were unusually high temperatures without rain, causing cane to develop very slowly. Many fields burned unintentionally, including some which were already starting to grow. Under this stressed environment, there was a serious pest problem. Rains began to normalize in December, and it has been raining since, with some very strong, short storms. Weather in March was very favorable, allowing plantations to recover significantly. Some plantations were affected by strong winds.

Producers' returns are likely to improve in 2010/11 as they expect firm sugar and ethanol prices. Profitability in the previous crop was highly variable. The majority of the producers sold most of their sugar early in the season when the price of sugar at the mill (without VAT) was about USD \$293 per ton. In December, the price reached USD \$442 per ton and in early April, its price was about USD \$560 per ton as a result of domestic and international sugar shortages. Most contacts expect prices in the beginning of the 2010/11 harvest season to be significantly better than a year ago.

Mills normally begin the harvest season between mid-May and early June. However, the 2010/11 crop season is expected to begin earlier because sugar stocks are currently very low and processors prefer to start harvesting earlier (even though yields will be considerably lower) than importing significant volumes of sugar. Two large processors in Salta and Jujuy are expected to begin the season between late April and early May, and four mills in Tucuman are also expected to commence earlier than usual. Depending on the weather, contacts expect to advance harvest at about 40-80 thousand tons, enough to offset the current shortage. (To keep the record of full crop seasons in order, PS&Ds reflect this early harvested volume as produced in the 2010/11 crop. The negative stocks in the PSD table will be more than offset by the advanced production.)

There were 22 sugar mills which processed sugar cane last season and are expected to do so in 2010/11. Sugar mills have lately invested heavily in improving and meeting environmental laws. Some are also investing in the co-generation of electricity from bagasse. Several mills are focusing investments in ethanol production, since the implementation of the biofuels law in early 2010. This law mandates that gasoline and diesel be mixed with 5 percent ethanol and biodiesel respectively starting in 2010. Due to limited supplies, the ethanol industry estimates that they will only reach 3 percent this year, but will fulfill the mandate in 2011 as new investment come on-line. There are rumors which indicate that the government wants to rapidly increase blending percentages to replace fossil fuel imports. Ethanol production in Argentina will primarily use sugarcane as feedstock in the short term. A private study indicates that the country has the potential to produce sugarcane in a much larger area than what it currently does. Several institutions and a few mills are working on the development and use of sweet sorghum for ethanol which would use practically the same infrastructure as for sugarcane.

There is only one sugar mill which produces organic sugar and it is located in Salta province. Its production for 2010/11 is expected to be close to 20,000 tons.

Consumption:

Domestic sugar consumption for 2010/11 is expected to increase marginally at 1.77 million tons (raw basis). Contacts indicate that about one third is household consumption and the balance is used primarily by the food and beverage industries. The supply and market are closely monitored by the government, which encourages the local industry to market an important volume of sugar at low price, especially for less affluent consumers. There are less government controls on the rest of the sugar sold in the market.

Per capita sugar consumption (raw basis) is about 43 kilos.

Four local companies produce high fructose corn syrup (HFCS). Approximately 90 percent of HFCS 55 is used in non-alcoholic beverages and HFCS 42 is mainly used in bakery products, fruit juices, and carbonated beverages. Domestic prices of HFCS are usually quite similar to the equivalent of sugar.

Trade:

Argentine sugar exports for 2010/11 are forecast at 340,000 tons (raw basis). This is a significant drop from the previous two years, primarily due to sugarcane being diverted to ethanol production, and the need to rebuild depleted sugar stocks.

Approximately 140,000 tons (raw basis) of refined sugar are expected to be exported to neighboring countries. Most likely exports will go to Chile, Paraguay and Uruguay. In 2009/10, the largest part of exports of refined sugar to Paraguay were not officially registered, as they were bought in the domestic market taking advantage of the low prices and then taken into that market with no official controls. These exports are calculated at 30-50 thousand tons for each crop season, and are included in our PSD. Contacts believe that this sugar is mostly consumed in Paraguay.

About 200,000 tons of raw sugar are projected to be exported in 2010/11. Exports to the U.S. under the sugar quota are projected at 60-70 thousand tons, unless the quota is changed. The rest will be exports

to the world market, where the Russian Federation usually is one of the most important buyers. Local traders expect good FOB prices for the coming season.

The remainder of Argentina's portion of the 2009/10 U.S. sugar quota is expected to be totally shipped between July and August. In March 2010, the U.S. provided Argentina with an additional 3,729 tons of sugar under the quota. Contacts indicate that if more additional increases are announced, Argentina will most likely fulfill them. The U.S. sugar quota has always been a priority for the local industry.

Argentina is expected to export in 2010/11 approximately 20,000 tons of organic sugar. The main markets are likely to be the US, under the specialty sugar quota, the EU, and Japan and Korea.

Argentine sugar exports in 2009/10 are expected to be the second largest ever (only surpassed by the 1983/84 crop). Attractive world prices encouraged more trade, which together with large unrecorded exports to Paraguay depleted large stocks at the beginning of the season. Refined sugar exports to Chile and raw sugar exports to the Russian Federation and India were the main markets.

Sugar imports in 2010/11 are forecast to be insignificant. Imports in 2009/10 were also projected to be small, but due to larger exports than expected, the local industry will import around 10,000 tons of sugar from Brazil and Colombia to help the transition from one crop to the next one at the end of the season.

Stocks:

Sugar stocks in 2010/11 are expected to recover to normal levels after the 2009/10 season which ended with a very tight balance that forced sugar mills to import sugar unexpectedly and to advance the harvest season several weeks to offset the market shortage.

Usually stocks are primarily in the hands of sugar mills, but this year, due to steep price increases, medium and large cane producers sold less product to cover costs and held more sugar.

Ending stocks for 2009/10 are shown as negative, as producers are expected to harvest some of the 2010/11 crop early to cover a shortfall in supplies caused by an unexpected increase in exports, as well as increased use of sugar cane for ethanol.

Policy:

There are no new policy changes directed to the sugar industry. However, in January 2008, Congress passed Law 26,334 which promotes the production of bioethanol from sugarcane. The law allows sugar mills to participate under the local biofuels promotional regime, which provides tax cuts and advantages. In November 2008, the government defined the mechanism for setting the price of ethanol under the promotional regime for the domestic fuel market. During the first semester of 2010 there will be four or five mills producing bioethanol, and in the second part there will be approximately ten mills producing biofuels.

Production, Supply and Demand Data Statistics:

In thousand metric tons

Centrifugal Sugar, Argentina	2009			2010			2011		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jun 2008			Market Year Begin: Jun 2009			Market Year Begin: Jun 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Beginning Stocks	105	105	105	216	181	226			-34
Beet Sugar Production	0	0	0	0	0	0			0
Cane Sugar Production	2,420	2,420	2,420	2,250	2,250	2,230			2,260
Total Sugar Production	2,420	2,420	2,420	2,250	2,250	2,230			2,260
Raw Imports	0	0	0	0	0	0			0
Refined Imp.(Raw Val)	26	26	21	4	4	10			5
Total Imports	26	26	21	4	4	10			5
Total Supply	2,551	2,551	2,546	2,470	2,435	2,466			2,231
Raw Exports	225	260	347	220	220	400			200
Refined Exp.(Raw Val)	360	360	233	380	380	360			140
Total Exports	585	620	580	600	600	760			340
Human Dom. Consumption	1,740	1,740	1,730	1,710	1,710	1,730			1,760
Other Disappearance	10	10	10	10	10	10			10
Total Use	1,750	1,750	1,740	1,720	1,720	1,740			1,770
Ending Stocks	216	181	226	150	115	-34			121
Total Distribution	2,551	2,551	2,546	2,470	2,435	2,466			2,231

In thousand metric tons and thousand hectares

Centrifugal Sugar Cane for Argentina		2009			2010			2011		
		2008/2009			2009/2010			2010/2011		
		Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
		USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data	New Post	
				Data			Data			Data
Area Planted		310	320	0		322	322			335
Area Harvested		300	308	0		312	310			325
Production		22,300	21,400	0		20,500	20,660			21,600
Total Supply		22,300	21,400	0		20,500	20,660			21,600
Utilization for Sugar		22,300	21,400	0		20,000	20,260			20,100
Utilizatr for Alcohol		0	0	0		500	400			1,500
Total Utilization		22,300	21,400	0		20,500	20,660			21,600

Author Defined:

Prices

The following table shows sugar prices at the mill (without 21 percent VAT), and the exchange rate (pesos per US dollars) in the period 2007-09

	2007	2007		2008	2008		2009	2009
Month	Pesos/ton Mill	Pesos/USD		Pesos/ton Mill	Pesos/USD		Pesos/ton Mill	Pesos/USD
Jan	934	3.08		958	3.16		1022	3.50
Feb	946	3.08		1005	3.16		992	3.57
Mar	911	3.08		912	3.16		974	3.72
Apr	869	3.08		869	3.18		984	3.71
May	866	3.08		1067	3.11		1013	3.75
Jun	850	3.09		1115	3.03		1055	3.80
Jul	846	3.14		1021	3.03		1121	3.83
Aug	889	3.18		1107	3.04		1160	3.85
Sep	947	3.16		1082	3.13		1284	3.84
Oct	924	3.16		1043	3.38		1467	3.82
Nov	924	3.15		1051	3.38		1681	3.81
Dec	1042	3.15		1043	3.45		1687	3.81
AVG	912			1022			1203	